

# The San Diego Union-Tribune.

Editorial

## Seeing red

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### State budget crisis even worse than reported

December 17, 2007

So now we are told the state faces a budget deficit of \$14 billion. Gov. Arnold Schwarzenegger is moving to declare a fiscal emergency and has ordered all agencies to prepare for cuts of 10 percent. The news could hardly get much worse, right?

For three reasons, that's wrong.

■An honest assessment of the budget picture – of the sort required of corporations by the Sarbanes-Oxley law – would put the 2007-08 deficit at \$16.3 billion, not \$14 billion. That's because Sacramento treats the \$48 billion in guaranteed-but-unfunded health care benefits for state retirees as if it were something ethereal instead of a huge fiscal obligation that state Controller John Chiang says should be prefunded with \$2.3 billion a year.

■Both the governor and Assembly Speaker Fabian Núñez continue to push for a grand health insurance measure under which nearly all employers would be required to provide coverage or pay a fee of up to 6.5 percent of payroll to the state. They both insist that between increased federal grants and funding from new revenue sources – possibly higher taxes on cigarettes – this new program would not make the deficit worse.

Consider some basic numbers and the ridiculousness of this argument becomes clear. On average, California employers pay 12 percent to 14 percent of payroll on health coverage. Obviously, if employers can pay a fee for state coverage that is half that amount, many would jump at the chance to reduce their costs. The state would then be on the hook to provide coverage as good as the private employers used to offer – but with half the money.

Who's going to pay the difference? Either taxpayers or – via more state borrowing – future generations.

■Finally, even if the health care push goes on hiatus – as Senate President Don Perata wants – there are already warning signs everywhere that the Democrats who run the Legislature are incapable of the leadership it's going to take to get out of this mess.

Consider NÚñez's hallucinatory remarks to The Sacramento Bee: “The fact of the matter is we've been cutting our way out of this budget mess for the last four years.”

Huh? In 2004-05, the budget was \$79.8 billion. Now it is \$102.3 billion – a 28 percent jump. What is NÚñez talking about?

Here's what's going on: We're in the initial stage of a propaganda campaign in which the speaker, his fellow Democrats and maybe the governor, too, will tell us that we're under taxed and that they really haven't been on a spending binge.

Don't let them get away with it. If spending had gone up by 5 percent a year since 2004 – not 8.6 percent a year – we'd now have a headache, not a crisis. And looking to the future, an actual, real-to-God spending freeze of two to three years would work wonders.

But don't expect the spending addicts to accept common sense, not when they're depicting their binge as an era of budget cuts. Instead, count on a budget fight next summer that makes this year's look like a picnic – and be deeply thankful that the spendthrifts who control the Legislature can't force new taxes down our throats without a two-thirds vote.

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